

Message Text

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ACTION EB-04

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0924

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY DUBLIN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 06937

LIMDIS GREENBACK

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, UK

SUBJECT: U.K. TREASURY VIEWS --EC/IMF MONETARY ISSUES

1. DURING BRIEF CONVERSATION. U.K. TREASURY SOURCE (PROTECT) REPORTED THAT MAY 9 EC MONETARY COMMITTEE MEETING IN DUBLIN WILL BE DEVOTED TO THE RUN UP TO THE IMF INTERIM COMMITTEE MEETING. UK EXPECTS EC MEMBERS TO MOBILIZE PRESSURE AGAINST FRANCE AT MAY 9 MEETING AIMED AT SOFTENING INTRANSIGENT FRENCH POSITIONS ON IMF GOLD AND LEGALIZATION OF FLOATING. H.M. TREASURY BELIEVES THAT DE LA ROZIER'S MOST RECENT POSITIONS HAVE SHOWN A HARDENING, WITH CONSIDERABLE MOVEMENT AWAY FROM POSITIONS AGREED BY MINISTERS IN JANUARY. EQUALLY, UK HOPES THAT THE U.S. WILL SHOW SOME FLEXIBILITY IN ITS ANTI-FRENCH POSITIONS ON GOLD AND FLOATING, ALTHOUGH SOURCE CONSIDERED THAT PART OF THE U.S. POSITION MIGHT BE NEGOTIATING POSTURE TO OFFSET FRENCH INTRANSIGENCE.

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2. ON OTHER ISSUES, UK'S EC PARTNERS ARE NOT RAISING MATTERS THAT MIGHT CAUSE DIFFICULTIES FOR THE UK PRIOR TO THE JUNE 5 REFERENDUM. UK TREASURY HAS ITS FINGERS CROSSED THAT THE VOTE WILL BE POSITIVE ON REMAINING IN THE EC.

3. UK'S PERIODIC ARTICLE VIII DISCUSSION WITH IMF CURRENTLY BEING HELD, WITH SOME SPECULATION AS TO POSSIBILITY OF A U.K. DRAWING. SOURCE STATED CATEGORICALLY THAT UK HAS NO PRESENT PLANS TO DRAW ON IMF. ACKNOWLEDGING DIFFERENTIAL RATES OF INFLATION BETWEEN UK AND ITS MAJOR TRADING PARTNERS, SOURCE THOUGHT THIS WAS MORE LIKELY TO BE HANDLED THROUGH EXCHANGE RATE POLICY RATHER THAN FROM EXTERNAL BORROWING.

4. NOTING PRIME MINISTER WILSON'S COMMODITY PROPOSALS AT THE COMMONWEALTH MINISTERS MEETING, SOURCE SAID THAT H.M. TREASURY HAS NOT BEEN DIRECTLY INVOLVED AND DID NOT SEND A DELEGATE WITH THE PRIME MINISTER'S PARTY. INITIATIVES AND WORK ON THE SUBJECT ARE IN THE FOREIGN OFFICE WITH SOME DIRECT INVOLVEMENT ON PART OF FOREIGN MINISTER CALLAGHAN.

RICHARDSON

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